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FRANK M. FEINBERG

MONETARY POLICIES AND ECONOMIC RECOVERY

ANNCR:

ECONOMIC RECOVERY CONTINUES IN THE UNITED STATES, WHILE THE RATE OF INFLATION DECREASES. THE SIGNIFICANCE OF THESE DEVELOPMENTS IS ANALYZED BY VOA BUSINESS EDITOR FRANK FEINBERG:

VOICE:

THE LATEST SPATE OF ECONOMIC STATISTICS SHOWS THE TEMPO OF THE U.S. BUSINESS RECOVERY INCREASING. INDUSTRIAL OUTPUT IS RISING, RETAIL SALES ARE UP IMPRESSIVELY. EMPLOYMENT IS UP. AND MORE MONEY IS BEING INVESTED IN IMPROVING AND ENLARGING INDUSTRIAL FACILITIES. THE U.S. OIL INDUSTRY ALONE WILL INVEST SOME TWENTY-FIVE THOUSAND MILLION DOLLARS THIS YEAR IN NEW PROJECTS AND OIL EXPLORATION.

WHAT IS PARTICULARLY PLEASING TO THE FORD ADMINISTRATION IS THAT THIS IMPROVEMENT IN THE ECONOMY IS OCCURRING WHILE THE RATE OF INFLATION IS REMAINING STABLE. THE RISE IN CONSUMER PRICES THIS FIRST QUARTER -- AT AN ANNUAL RATE OF TWO POINT NINE PER CENT -- IS THE LOWEST QUARTERLY RISE SINCE JUNE OF 1972. BY CONTRAST, IN THE THIRD QUARTER OF 1974, CONSUMER PRICES WERE CLIMBING AT AN ANNUAL RATE OF THIRTEEN PER CENT.

CREDIT FOR THE U.S. ECONOMIC RECOVERY IS DUE, IN GREAT PART, TO THE CONSUMER, WHOSE STEPPED UP BUYING CURRENTLY IS FUELING THE UPWARD MOMENTUM. AT THE SAME TIME, THE BUSINESS COMMUNITY PERFORMED WELL IN BALANCING SALES AND INVENTORIES, WHILE PREPARING TO INCREASE OUTPUT AS DEMAND ROSE.

TO THIS MUST BE ADDED GOVERNMENT MONETARY RESTRAINTS. AT THE HEIGHT IT OF THE RECESSION, CHAIRMAN ARTHUR BURNS OF THE FEDERAL RESERVE BOARD -- AMERICA'S CENTRAL BANK -- WAS UNDER HEAVY PRESSURE TO PUT MORE MONEY INTO THE ECONOMY -- BY PRINTING MORE MONEY. BUT MISTER BURN, STEADFASTLY HAS RESISTED DEMANDS TO DO SO FROM LEGISLATORS, LABOR LEADERS, BUSINESS OFFICIALS, AND ECONOMISTS.

MISTER BURNS HAS SERVED IN SEVERAL PREVIOUS ADMINISTRATION -- BOTH REPUBLICAN AND DEMOCRATIC -- AND CONCEDES THAT AT LEAST ON ONE OR TWO OCCASION HE WAS MISTAKEN IN PERMITTING TOO BIG A SUPPLY OF NEW MONEY. THE RESULT WAS AN INCREASE IN INFLATIONARY PRESSURES. MISTER BURNS IS DETERMINED TO PREVENT THIS HAPPENING AGAIN. HE FEELS THAT A BIG GROWTH IN THE MONEY SUPPLY, WHILE PERHAPS BOOSTING THE ECONOMY TEMPORARILY, WILL -- OVER THE LONGER PERIOD -- RESULT IN ADDED INFLATION, HIGHER INTEREST RATES, HIGHER PRICES -- ALL THINGS TO BE AVOIDED.

THE FEDERAL RESERVE BOARD -- UNDER CHAIRMAN BURNS' FIRM HAND -- IN FACT INCREASED THE MONEY SUPPLY IN RECENT MONTHS. BUT IT HAS BEEN AT A MODERATE PACE -- AND HAS NOT SET OFF A RISE IN WHOLESALE AND RETAIL PRICES. THE CURRENT ENCOURAGING STATE OF THE U.S. ECONOMY AND THE DOLLAR'S STRONG POSITION IN INTERNATIONAL MONEY MARKETS ATTESTS AT LEAST IN PART TO THE SOUNDNESS OF THE ADMINISTRATION'S MONETARY POLICY

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